



Rhode Island

Benefits From Exports

Rhode Island export sales of merchandise for the year 2000 totaled \$1.17 billion, up slightly from 1997 levels and more than 24 percent higher than the state's 1993 total of \$938 million. The state's exports have also grown on a per capita basis. In 2000, Rhode Island businesses recorded export sales of \$1,115 for every state resident, up 18.7 percent from the 1993 per capita figure of \$939.

Rhode Island exported globally to 141 foreign destinations in 2000, up from 132 markets in 1997. Buoyed by the North American Free Trade Agreement (NAFTA), the state's top markets in 2000 were Canada and Mexico. Canada was by far Rhode Island's leading market, accounting for \$373 million, or 32 percent, of the state's total exports. Exports to second-ranked Mexico were \$93 million, or eight percent of the total. Rounding out the state's top ten markets in 2000 were the United Kingdom, Japan, Hong Kong, Singapore, Italy, Germany, Belgium, and Taiwan.

Rhode Island's biggest growth market, in dollar terms, is Canada. Sales to the Canadian market grew from about \$330 million in 1997 to \$373 million in 2000—an increase of almost \$44 million. Sizable dollar gains were also recorded in exports to Singapore (up \$25

million), Italy (up \$24 million), Austria (up \$17 million), Mexico (up \$16 million), China (up \$15 million), and Hong Kong (up \$14 million).

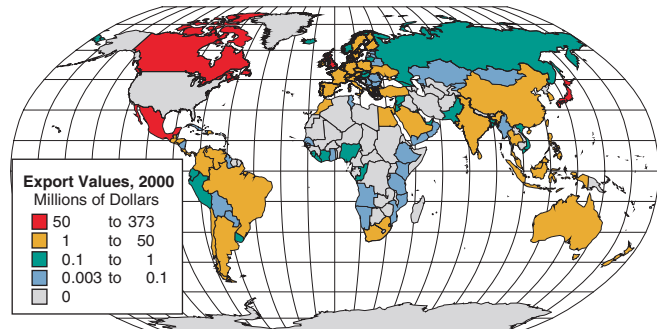
Among Rhode Island's top 25 export destinations the fastest-growing, in percentage terms, are South Africa, Colombia, Austria, China, Italy, and Singapore. Exports to each of these markets more than doubled from 1997 to 2000.

The state's leading export categories in 2000 were computers and electronic products (\$246 million in 2000 export sales), miscellaneous manufactures (\$171 million), and machinery manufactures (\$156 million). Together, these three sectors accounted for 49 percent, or roughly half, of the state's total sales of merchandise abroad. Other major export categories, each with over \$100 million in sales, were waste and scrap items, and primary metal manufactures.

Within Rhode Island, the Providence–Fall River–Warwick metropolitan area (a small part of which lies in Massachusetts) posted 1999 export sales of \$1.55 billion. Providence ranked 75th among the 253 U.S. metro areas for which export statistics are available.

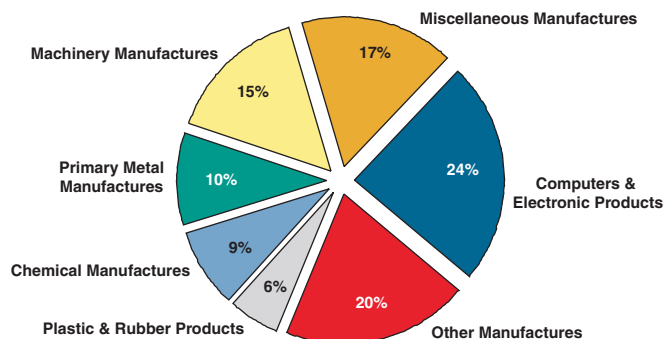
RHODE ISLAND EXPORTED GOODS WORTH \$1.2 BILLION TO 141 FOREIGN MARKETS IN 2000

Dollar Value of Rhode Island's Merchandise Exports to Foreign Markets, 2000



Source: U.S. Department of Commerce, Exporter Location Series.

RHODE ISLAND EXPORTS A WIDE RANGE OF MANUFACTURES: \$1.02 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Rhode Island depended on manufactured exports for 21,800 jobs. Export-supported jobs accounted for an estimated 5.5 percent of Rhode Island's total private sector employment.

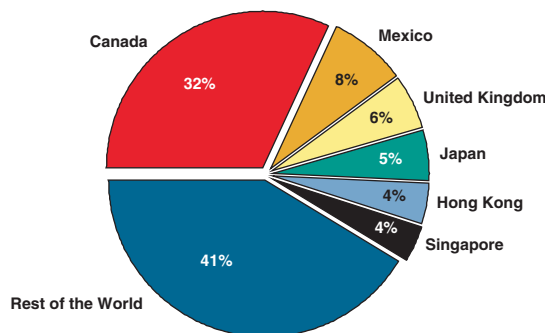
Manufactured exports supported about 13,900 jobs in Rhode Island's manufacturing industries. This was 18.4 percent of the state's manufacturing work force—more than one of every six manufacturing jobs.

Manufacturing industries in Rhode Island with the largest numbers of export-related jobs were computers and electronic products (2,600 export-sustained jobs), miscellaneous manufactures (2,400 jobs), fabricated metal products (1,400 jobs), and fabric mill products (1,400 jobs). These four categories accounted for more than 56 percent of Rhode Island's export-related manufacturing jobs.

Exports of manufactured goods also indirectly supported 7,900 jobs in the state's nonmanufacturing industries, including 1,200 workers in business services, 1,000 in transportation services, 3,200 in wholesale and retail trade, and

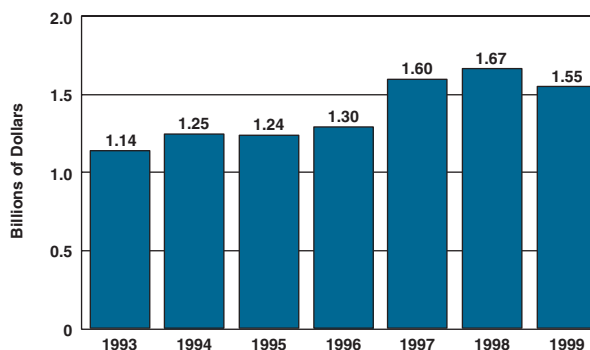
CANADA IS RHODE ISLAND'S BIGGEST EXPORT MARKET

Percent of Rhode Island's 2000 Exports



Source: U.S. Department of Commerce, Exporter Location Series.

PROVIDENCE-FALL RIVER-WARWICK'S MERCHANDISE EXPORTS GREW 36 PERCENT FROM 1993 TO 1999



*This metro area partially overlaps into an adjacent state.

Source: U.S. Department of Commerce, Exporter Location Series.

2,500 in other nonmanufacturing activities like mining and agriculture. All these sectors directly and indirectly supply manufacturers with a wide variety of inputs needed to produce goods for export.

TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

TPA preserves the ability of the United States to protect public health, safety, and the environment.

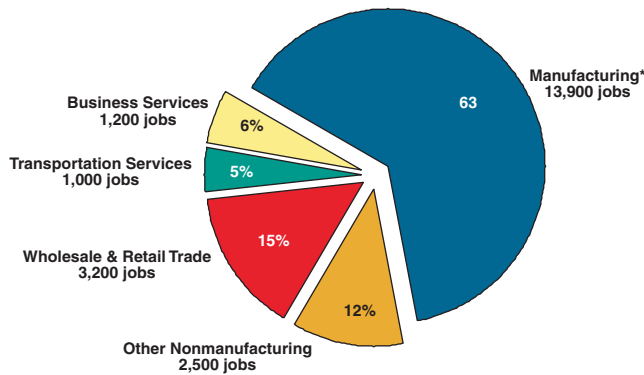
Exports Help Small Business

Exports have broadly benefited Rhode Island businesses, both large and small. A total of 1,409 companies exported from Rhode Island locations in 1998. Nearly 86 percent of these companies, accounting for about 30 percent of the state's total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 74 percent of all Rhode Island exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains

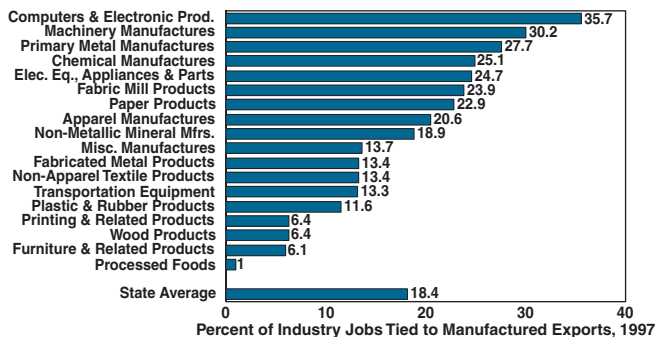
21,800 RHODE ISLAND JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

MORE THAN ONE-SIXTH OF MANUFACTURING JOBS IN RHODE ISLAND WERE TIED TO EXPORTS IN 1997



Note: In 1997, 18.4 percent of the 75,600 manufacturing jobs in Rhode Island were tied to manufactured exports—some 13,900 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Rhode Island Industries Can Gain From Trade Negotiations

Rhode Island's exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit

Rhode Island's businesses across many industrial sectors.

Information technology. Rhode Island's high-tech businesses are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Rhode Island, would likely see sales rise if remaining barriers on IT products were eliminated.

Jewelry. NAFTA and the Uruguay Round have lowered many tariff and nontariff barriers to international trade in jewelry, resulting in a substantial increase in the volume of trade in these products. Small and medium-sized enterprises would be the main beneficiaries of further liberalization in this sector. Tariffs on jewelry, while relatively low in developed countries, are higher in most developing countries. For example, tariffs range up to 50 percent in Russia and India. Tariffs are also high in such Latin American countries as Colombia (20 percent tariff), Argentina (35 percent), and Brazil (23 percent). Apart from tariffs, jewelry exporters also face a range of nontariff barriers, including state trading companies

that restrict competition, import licensing, and nontransparent documentation requirements.

RHODE ISLAND: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Rhode Island goods and services.

Rhode Island exporters still face major trade barriers in such sectors as information technology, jewelry, industrial machinery, and metals.

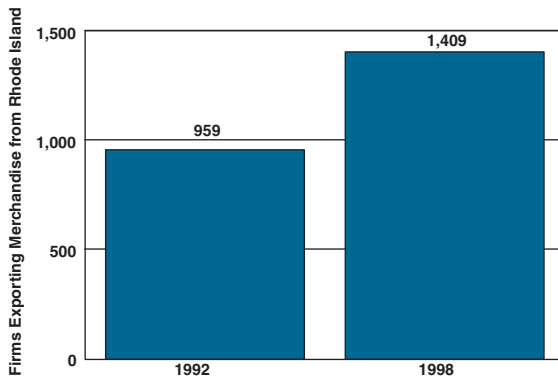
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Rhode Island's economy is export-dependent, with export sales of \$1,115 for every state resident.

Nearly 22,000 Rhode Island jobs depend on exports of manufactured goods.

1,409 companies—including 1,206 small and medium-sized businesses—export from Rhode Island.

THE NUMBER OF COMPANIES EXPORTING FROM RHODE ISLAND ROSE 47 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

Industrial machinery. While Rhode Island's industrial machinery exporters have benefited from tariff reductions in previous trade agreements, the industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

Metals. Canada and Mexico are the largest markets for U.S. metal exports, which already benefit from duty-free access under NAFTA. However, tariff and nontariff barriers remain in other markets, such as the European Union, where the average tariff on nonferrous metals is twice as high as the average U.S. rate. Rhode Island metal exporters also face numerous nontariff barriers, such as distribution restrictions.

Agriculture. Rhode Island produces and exports agricultural products. According to the U.S. Department of Agriculture, Rhode Island's agricultural exports totaled \$600,000 in 1999. Rhode Island already benefits from past trade agreements; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide. Negotiations in the FTAA would provide the opportunity to address these barriers in our hemisphere, complementing broader efforts in the WTO agricultural

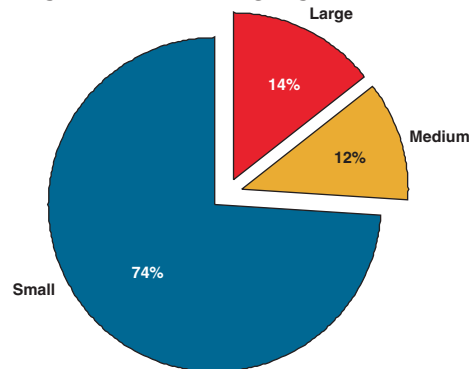
negotiations to open global markets and further liberalize agricultural trade.

Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to Rhode Island

While exports generate clear benefits for the Rhode Island economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Rhode Island, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Rhode Island with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

86 PERCENT OF RHODE ISLAND'S 1,409 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.